HIRKO & ASSOCIATES (HALO) LEGAL UPDATE: ETHIOPIA'S ETHIOPIA'S NEW CUSTOMS PROCLAMATION: NO. 1425/2026 (COMPREHENSIVE) LEGAL UPDATE

5 Key Changes Every Importer and Transporter Must Know:
Partial Release of Goods for Importers
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Ethiopia's New Customs Proclamation: 5 Key Changes Every Importer and Transporter Must Know

A major amendment to Ethiopia's Customs Proclamation took effect on 23 July 2026, bringing changes that will reshape how businesses import goods, transport cargo, and challenge customs decisions. The new law, Proclamation No. 1425/2026, presents a tale of two worlds. For compliant importers, it offers genuine relief through reduced financial burdens and stronger procedural protections. For those in the transport and logistics sector, it introduces penalties so severe that a single mistake could cost a vehicle, a business, or a livelihood. Here are the five most important changes every business owner, importer, and transporter needs to understand.

1. Partial Release of Goods Offers Cash-Flow Relief for Importers

Importers facing liquidity constraints at the point of clearance can now benefit from a new mechanism for partial release of goods. Where an importer cannot pay all duties and taxes at once, the Customs Commission may now release goods in portions, provided the duties for each specific portion are paid. This is a genuine cash-flow tool that addresses a long-standing complaint from the business community. However, the discretion remains with the Commission, and importers must formally state their inability to pay in full and request partial release. Businesses should document such requests carefully and maintain open communication with the Commission regarding the phased release schedule. The default rule remains unchanged, goods entered under a single declaration are released together—but the new exception provides a statutory route for importers who genuinely cannot pay the full amount upfront.

2. Storage Timelines Tightened Despite Appearance of Extension

One of the most misunderstood provisions of the new law concerns storage periods for imported goods. The amendment appears to extend storage periods from the previous limits, but the reality is different. The old law under Proclamation No. 859/2014 provided 60 days for sea and land transport and 30 days for air cargo. The new law provides 45 days for sea and land and 30 days for air. This means the period for sea and land cargo has actually been reduced from 60 to 45 days, a tightening, not a relaxation. Importers should be aware that goods not cleared within these windows are mandatorily transferred to a government customs warehouse, incurring additional costs and administrative delays. Any extension of these deadlines is tied to a closed list of causes: customs control, administrative action, or force majeure. This limits the Commission's discretion to grant extensions and provides clearer grounds for importers to seek extensions, but the reduction in the baseline period is a significant change that businesses must factor into their logistics planning. The owner retains the right to reclaim goods from the government warehouse before they are disposed of, upon payment of duties, taxes, and other expenses due.

3. Software Valuation: WTO Alignment with a Significant Gap

One of the most significant changes in the amendment concerns the valuation of imported software. Under the new law, importers of software on physical media—such as discs, tapes, or drives—will no longer pay customs duties on the value of the software itself, only on the physical carrier. This is a major development that aligns Ethiopian practice with the internationally recognized approach under the WTO Customs Valuation Agreement. The customs value of imported carrier media bearing software must now be determined based solely on the cost or value of the carrier medium itself, and the value of the software recorded on it must be deducted.

However, this benefit comes with a strict condition: importers must provide commercial invoices that clearly separate the cost of the software from the cost of the physical medium. Without this clear separation, the deduction will not apply. The law defines a "data carrier" as a physical object such as a magnetic disc, optical disc, or tape designed for the storage and conveyance of software. Critically, this definition explicitly excludes integrated circuits, semiconductors, and similar devices, as well as any articles into which such circuits or devices are incorporated. The law also defines "software" as recorded programs or instructions supplied for the operation of data processing equipment, but this definition excludes sound recordings, cinematic films, and video recordings.

This means that much of the modern technology that arrives pre-loaded on specialized hardware—from smartphones to industrial control systems to embedded systems in vehicles and machinery—remains fully dutiable. The value of software embedded in chips or integrated circuits cannot be deducted. This is a significant gap that technology importers must understand. For businesses importing software on physical media such as CDs, DVDs, or magnetic tapes, the benefit is clear and substantial. But for those importing technology where software is integrated into hardware components, the provision offers no relief. This limitation substantially reduces the practical benefit of the provision for many modern technology imports. The Ministry may issue directives for implementation of valuation methods, but such directives cannot create new valuation methods beyond those established in the law.

4. 50% Deposit Rule for Tax Appeals: A Step Forward, But Still a Hurdle

One of the most significant changes concerns the appeals process for customs duty disputes. Under the old law, anyone challenging a customs assessment was required to pay the full contested amount, 100%, before their appeal could even be heard. This effectively denied many businesses their right to challenge unfair assessments, as tying up such large sums of capital was simply impossible. The new law reduces this requirement to 50% of the disputed duties and taxes. The Federal Tax Appeal Commission will not admit an appeal unless half of the disputed amount has been paid.

While this is a meaningful improvement, it remains a substantial financial barrier, particularly for small and medium enterprises. The European Chamber of Commerce has previously highlighted this very issue as a major obstacle to investment, and while the reduction is welcome, it does not go far enough to fully remove this barrier to justice. Businesses contemplating an appeal should factor this requirement into their dispute strategy, potential financial exposure, and available liquidity. The law also strengthens due process in valuation disputes by requiring the Commission to provide written reasons for its valuation decisions, including why a declared value was rejected, and give the importer an opportunity to respond before any final determination is made. This procedural protection did not previously exist and gives importers a clearer basis to contest decisions.

5. **The Transport Sector: Draconian Penalties and Vehicle Confiscation**

If the amendment offers improvements for importers, it delivers a hammer blow to carriers, vehicle owners, and warehouse operators. The centerpiece of the new enforcement regime is the confiscation of vehicles used in contraband trade. Under the previous law, vehicle owners caught transporting smuggled goods faced a maximum fine of just 100,000 Birr, a sum so low that smuggling networks reportedly treated it as a routine cost of doing business rather than a deterrent. That loophole is now closed.

Any vehicle found to be constructed, modified, or fitted with concealed compartments designed to hide goods is subject to automatic confiscation. Vehicles caught transporting contraband goods face the same fate. The financial penalties are equally severe. An owner found to have participated in a contraband offence—or who failed to take reasonable preventive measures—faces a fine equal to 100% of the contraband's value or 200,000 Birr, whichever is lower, in addition to confiscation of the vehicle. Breaking a customs seal or mixing contraband goods into a container attracts a flat 500,000 Birr fine. Where a vehicle owner opens a cargo seal or container to mix in contraband goods, this flat fine applies in addition to confiscation of the goods.

Even procedural violations now carry significant penalties. Failing to submit manifests on time, allowing unauthorized persons onto a vehicle, or delaying departure without permission attracts fines of 4,000 to 10,000 Birr. Loading or unloading without a customs officer present attracts 15,000 to 20,000 Birr. Where the means of transport is an animal, the penalty is 100% of the contraband's value or the animal's current market value, whichever is lower. Critically, all penalties imposed on a vehicle owner cannot exceed the vehicle's current market value.

There is a due process safeguard: owners must be notified and given an opportunity to present evidence or explanations about how the vehicle was used before any confiscation. But the threshold for confiscation is low, and the law applies regardless of whether the owner claims ignorance. A driver renting a vehicle, or an employee using a company truck, could expose the owner to total loss of their asset. The burden on the owner to prove their innocence is substantial, and the defense of ignorance will not protect you from confiscation or fines. The law extends these provisions to public transport vehicles as well, considering the specific operational circumstances and the extent to which the owner has complied with preventive obligations including documentation, inspection, and sealing requirements.

For warehouse operators, the stakes have also risen. Licensed customs warehouse operators who fail to comply with their obligations face fines of 100,000 to 200,000 Birr, without prejudice to additional administrative measures. Where goods that should have entered a bonded warehouse instead enter temporary storage and are not transferred within five working days, the importer must pay a 10,000 Birr fine and either transfer the goods or complete customs formalities while in temporary storage. Temporarily imported goods not re-exported within the permitted period attract a 200,000 Birr fine, without prejudice to duties and taxes on the depreciated value and other costs, and the importer must ensure re-export within one month. For businesses using temporary import procedures, this creates significant financial exposure that must be factored into planning.

6. What Businesses Should Do Now

For importers, the priority is to understand the new valuation rules and ensure commercial invoices clearly separate software value from carrier medium value where applicable. Businesses should also familiarize themselves with the new appeals process and the 50% pre-deposit requirement, adjusting dispute strategies accordingly. The one-year limitation period for refund claims now runs from completion of customs formalities and finalization of the declaration, or from the date the declaration is deleted from the customs information system if goods do not enter the country, a clarification that provides greater certainty for claimants.

For transport operators and vehicle owners, the stakes could not be higher. Vigilance is essential: know what is being loaded onto your vehicles, maintain thorough documentation, and ensure drivers understand the severe consequences of carrying contraband. The defense of ignorance will not protect you from confiscation or fines. Vehicle owners should implement robust compliance measures, including thorough documentation, inspection, and sealing requirements, to demonstrate that they have taken reasonable preventive measures.

For warehouse operators, compliance with the new obligations is critical. The 100,000 to 200,000 Birr fines for non-compliance are a strong incentive to review and strengthen operational procedures. Operators should ensure proper segregation of goods based on type and nature, maintain accurate registration books, and report to the Commission from time to time. They should also ensure that no goods are deposited in or removed from the warehouse without permission, and that unauthorized persons are prohibited from entering.

7. Conclusion

The new Customs Proclamation is a law of extremes. It offers genuine improvements for compliant importers while imposing severe, potentially ruinous penalties on those in the transport sector. The software valuation provision aligns Ethiopia with international standards but is limited in scope by the exclusion of integrated circuits and embedded systems. The 50% pre-deposit requirement for appeals, while an improvement, remains a significant barrier to justice. For all businesses operating in Ethiopia's trade ecosystem, understanding these changes is no longer optional, it is essential to survival. The law's dual character means that businesses must navigate both the opportunities and the risks with care, ensuring compliance while leveraging the new facilitative provisions to their advantage.